

Financial Considerations

TIF provides a direct up-front benefit to the developer in the form of tax relief. The money saved on taxes helps pay the project's construction costs. Depending on the size and location of the project, developers utilizing TIF benefits can also often access other state financial incentives such as Investment Tax Credits, Abandoned Building Tax Deductions and Research and Development Tax Credits.

DIF provides financial benefits to developers as well, by providing infrastructure and surrounding amenities to support their projects. Early public funding takes the initial burden off the developer and minimizes risk.



RRG Associates, Inc./Berkley Investments

For More Information:

Massachusetts Smart Growth Toolkit
<http://www.mass.gov/ocd>

Massachusetts Office of Business Development:
<http://www.mass.gov/mobd>

Worcester TIF:
www.worcestermedcenter.com

Concord DIF:
<http://www.ci.concord.nh.us/Businessdev/Devopps/hotelctr>

Leominster TIF:
www.leominster-ma.gov/planning_department_index.htm

MASSACHUSETTS SMART GROWTH Toolkit



District Improvement Financing (DIF) and Tax Increment Financing (TIF)



District Improvement Financing (DIF) and Tax Increment Financing (TIF) are economic tools that promote redevelopment by use of public/private partnerships. TIF offers tax breaks to developers, while DIF channels tax dollars into targeted redevelopment districts. These techniques provide opportunities to redevelop areas in ways which can lead to increased property values, tax revenue, transportation services, and housing supply, improved infrastructure, new jobs and an overall improvement in quality of life for the inhabitants of the city or town.



The Problem

Many municipalities in Massachusetts are faced with blighted, distressed, or simply underutilized areas. Many of these sites contain abandoned or contaminated facilities, while others are characterized by dilapidated infrastructure and commercial operations that are not economically viable. These areas often see a decrease in assessed property values with a corresponding decrease in municipal revenue. At the same time, they pose a drain upon municipal services. Often, it is difficult to attract private investment to these areas.



DIF/TIF Overview

Both DIF and TIF provide municipalities with innovative tools to target districts or specific projects for redevelopment. The use of tax increments is the centerpiece of both tools. A tax increment is the difference between the beginning assessed value of the targeted property in its dilapidated state and the assessed value going forward in time, as the planned improvements take shape. The tax increment, calculated by the local assessor, is the tax on the added value of new construction, rehabilitation or new equipment or machinery.

Determining the value of the tax increment is essentially the same for both DIF and TIF. How the tax increment is used as an incentive, however, is very different. Using DIF, municipalities can pledge all or a portion of tax increments to fund district improvements over time. With TIF, municipalities may grant property tax exemptions to landowners of up to 100% of the tax increment for a fixed period.



Success is tied to careful planning which identifies the needs of the district and combination of uses most likely to succeed. While TIF focuses on job creation, DIF allows significant flexibility in planning for the district's housing and commercial needs. The role of private partners can be crucial to achieving the desired effects. In both cases, public/ private agreements provide details and guidelines.